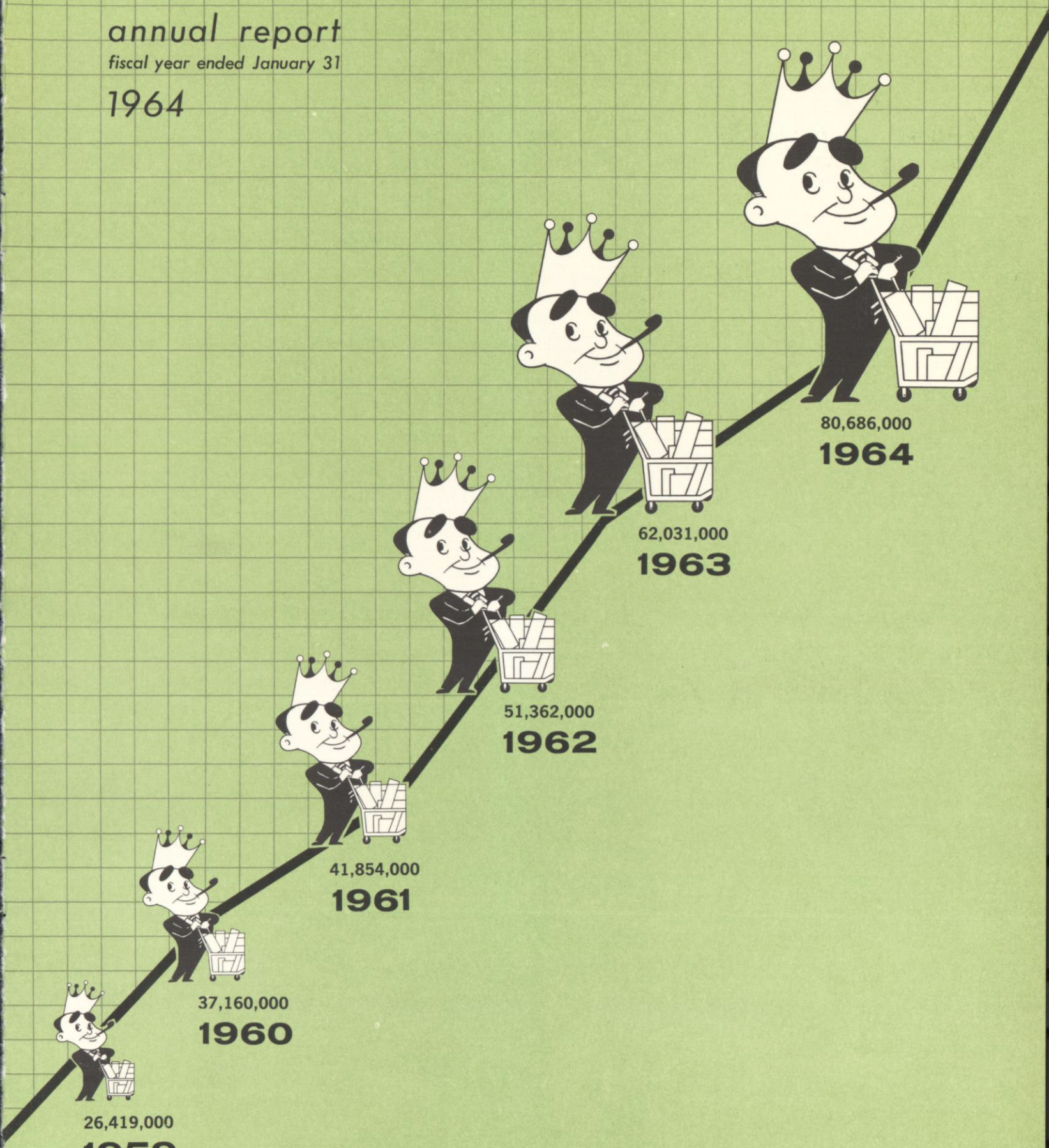
CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION
CORPORATION FILE

annual report

fiscal year ended January 31

1964



KING'S DEPARTMENT STORES, INC.

JANUARY 31, 1964

31

STORES

STATE	CITY	SQUARE FEET
Colorado	Denver	65,000
Connecticut	Manchester	115,000
	Meriden	70,000
	Milford	50,000
	New Haven	75,000
	Seymour	55,000
	Stamford	85,000
Florida	Ft. Lauderdale	45,000
	Jacksonville	80,000
	West Palm Beach	35,000
	Orlando	90,000
Georgia	Atlanta	50,000
Maine	Falmouth	75,000
Massachusetts	Brockton	95,000
	Fitchburg	55,000
	Hyannis	50,000
	Methuen	80,000
	Newton	80,000
	Shrewsbury	45,000
	Springfield	80,000
New Hampshire	Portsmouth	60,000
New Jersey	Edgewater Park	80,000
New York	Albany	50,000
North Carolina	Durham	60,000
	Greensboro	70,000
	Winston-Salem	75,000
Ohio	Niles	70,000
Pennsylvania	Allentown	85,000
	New Castle	50,000
Vermont	Rutland	55,000
Virginia	Norfolk	55,000

PATTERNS OF GROWTH

PLANNED FOR 1964

5

STORES

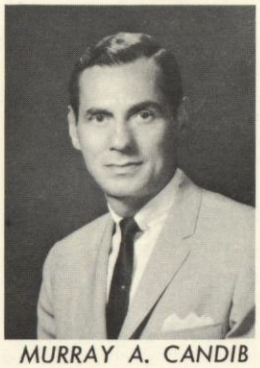
SCHEDULED FOR SPRING

New Jersey	Vineland	60,000
New York	Buffalo	80,000
	Cheektawaga	80,000
	Niagara Falls	80,000
	West Seneca	80,000

THE YEAR AT A GLANCE

OPERATIONS	Year Ended January 31, 1964	1963
Total Sales	$80,686,000	$62,031,000
Leased Department Sales	22,770,000	14,416,000
Net Sales	57,916,000	47,615,000
Leased Department and Other Income	2,287,000	1,504,000
Total Income	60,203,000	49,119,000
Cost of Goods Sold and Expenses	56,911,000	46,512,000
Income before Taxes	3,292,000	2,607,000
Provision for Taxes	1,571,000	1,306,000
Net Income	1,721,000	1,301,000
Earnings Per Share*	1.46	1.10
FINANCIAL		
Current Assets	$11,110,000	$ 9,057,000
Current Liabilities	3,955,000	3,127,000
Working Capital	7,155,000	5,930,000
Current Ratio	2.8	2.9
Stockholders' Equity	10,177,000	8,475,000
Equity Per Share*	8.64	7.20
Stock Dividend	5%	5%

*Based on 1,177,547 shares outstanding.



MURRAY A. CANDIB
President

AARON O. COHEN
Chairman

April 30, 1964

TO OUR SHAREHOLDERS:

It pleases us to report that, for the year ended January 31, 1964, our operation reached significant new highs in both profits and sales. Net earnings were equal to $1.46 per share, based upon 1,177,547 shares outstanding, as compared with $1.10 per share for the previous year.

Net profit after taxes increased 32% to $1,721,743 from $1,301,090 for the comparable period of a year ago. Sales increased 30% with a volume of $80,686,308 compared to $62,031,060 for the previous period. The company's financial position has again shown substantial progress. Working capital rose to $7,155,474, a gain of $1,224,816.

During the period ended January 31, 1964, eight new stores were added to our expanding chain; two marginal units were closed upon expiration of their leases. The improvement in profits is all the more significant when one takes into consideration that all expenses relating to store openings were charged to operations without the benefit of a full year's sales.

The company's dividend program has matched the operating performance with stock dividends of 2% in 1961, 5% in 1962 and 5% in 1963. At the Directors' Meeting on April 14th the Board approved a quarterly cash dividend of 12½¢ to the stockholders of record on May 15th, payable June 15th. This declaration does not preclude consideration of a stock dividend later in the year.

We have every reason to believe that the trend of increasing profits and sales will continue. These goals will be achieved in two ways — through our planned expansion program and constant improvement in the efficiency of our operations. Since the beginning of this fiscal year, King's has already added five new stores; four through the acquisition of assets of stores in the Buffalo–Niagara Falls area, each of which has had a profitable history. The fifth unit was opened recently in Vineland, New Jersey. However, we are not content to rely solely upon new stores for increasing volume and profitability. Management has been and will continue to devote its efforts to the constant improvement of our business. Four of our older stores are presently having their appearance and facilities modernized. No additional public financing will be required for our 1964 expansion and renovation program as now planned.

An event of importance to stockholders was the listing of the company's stock on the American Stock Exchange in December 1963.

We are pleased to acknowledge the material contribution which has been made by our growing family of able and loyal employees.

Your Chairman and your President wish to extend their sincere appreciation to all of King's shareholders for their continued support.

Sincerely,

Aaron O. Cohen
Chairman

Murray A. Candib
President

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

	Year Ended January 31, 1964	1963
Total store sales	$80,686,308	$62,031,060
Less leased department sales	22,769,820	14,415,627
Net sales	57,916,488	47,615,433
Leased department income	2,082,148	1,351,836
Interest and other income, net	204,359	152,360
Total income	60,202,995	49,119,629
Cost of goods sold, transportation and buying expenses	44,415,859	36,093,602
Store operating, administrative and general expenses, including leased department expenses	12,067,402	10,104,038
Depreciation and amortization	427,365	314,652
Total costs and expenses	56,910,626	46,512,292
Earnings before Federal taxes on income	3,292,369	2,607,337
Federal taxes on income	1,570,626	1,306,247
Net earnings (note 2)	1,721,743	1,301,090
Retained earnings at beginning of year	3,108,069	2,874,800
	4,829,812	4,175,890
Deduct:		
5% stock dividend paid, 54,722 shares (1963 — 52,333 shares)	771,947	1,067,821
Retained earnings at end of year	$ 4,057,865	$ 3,108,069

See accompanying notes to financial statements.

CONSOLIDATED

ASSETS

	January 31, 1964	1963
Current assets:		
Cash	$ 1,511,540	$ 713,867
Time deposits	1,500,000	2,000,000
6% note receivable secured by store under construction	—	250,000
Budget receivables	129,573	69,677
Other receivables	387,332	157,757
Merchandise inventories, at lower of cost or market, principally by the retail method (note 2)	7,379,806	5,700,958
Prepaid expenses	202,006	165,374
Total current assets	11,110,257	9,057,633
Cash surrender value of life insurance	59,946	53,497
Fixed assets, at cost:		
Land and land improvements	150,732	147,182
Fixtures and equipment	3,858,326	2,957,264
Leasehold improvements	740,301	758,151
	4,749,359	3,862,597
Less:		
Accumulated depreciation and amortization	1,473,211	1,071,762
Reserve for investment credit	46,364	21,450
	1,519,575	1,093,212
Net fixed assets	3,229,784	2,769,385
	$14,399,987	$11,880,515

See accompanying notes

BALANCE SHEET

LIABILITIES

	January 31, 1964	1963
Current liabilities:		
Accounts payable (including current installments in 1963 on long-term debt)	$ 2,205,408	$ 1,613,640
Accrued expenses	408,639	414,292
Federal taxes on income	1,340,736	1,099,043
Total current liabilities	3,954,783	3,126,975
Deferred Federal taxes on income, applicable to accelerated depreciation deducted for tax purposes	268,054	222,015
Long-term debt	—	56,598
Stockholders' equity:		
Common stock, $1 par value (note 3). Authorized 2,000,000 shares; issued and outstanding 1,177,547 shares (1963—1,122,825 shares)	1,177,547	1,122,825
Additional paid-in capital (note 4)	4,941,738	4,244,033
Retained earnings	4,057,865	3,108,069
Total stockholders' equity	10,177,150	8,474,927
	$14,399,987	$11,880,515
Commitments (note 5)		

to financial statements.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

January 31, 1964
with comparative figures for 1963

	1964	1963
FUNDS WERE PROVIDED BY:		
Net earnings for the year	$1,721,743	$1,301,090
Depreciation and amortization of fixed assets	427,365	314,652
Deferred Federal taxes on income	46,039	36,529
Reserve for investment credit	24,914	21,450
	2,220,061	1,673,721
FUNDS WERE APPLIED TO:		
Additions to fixed assets, net	912,678	927,727
Cash paid in lieu of fractional shares for 5% stock dividend	19,520	23,777
Decrease in long-term debt	56,598	13,820
Increase in cash surrender value of life insurance	6,449	5,685
	995,245	971,009
INCREASE IN WORKING CAPITAL	$1,224,816	$ 702,712

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

January 31, 1964

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. INVENTORIES:

During the year ended January 31, 1964, the company adopted the policy of including in inventory valuation freight charges which heretofore had been charged to expense. This change in practice which is consistent with the general practice in the industry, had the effect of increasing net earnings for the year ended January 31, 1964 by $65,900. (Equivalent to 6 cents a share on common stock).

3. STOCK OPTION PLANS:

Under stock option plans established in 1961 and 1963 options to purchase shares of common stock at a price of not less than 95% of the fair market value at the date of grant may be granted to officers and key employees.

	Number of shares	
	Issuable under options granted	Available for option
Balance at beginning of year	64,240	20,000
Changes during the year:		
Options granted at $12.35 per share	3,000	(3,000)
Options terminated	(3,426)	3,426
Adjustment for 5% stock dividend	3,176	—
Balance at end of year	66,990	20,426

During the year options became exercisable to purchase 12,768 shares at $10.99 a share or a total of $140,320 as compared with a quoted market value of $13.00 a share or a total of $165,984.

None of the options have been exercised.

4. ADDITIONAL PAID-IN CAPITAL:

The increase of $697,705 in additional paid-in capital represents the excess of market value over par value of 54,722 shares of common stock issued as a 5% stock dividend during the year.

Additional paid-in capital at January 31, 1964 is comprised of the following:

Excess of proceeds from sale in fiscal year 1962 of 250,000 shares of common stock over par value thereof	$2,642,685
Excess of market value over par value of shares of common stock issued as stock dividends	2,299,053
	$4,941,738

5. COMMITMENTS:

Total minimum annual fixed rentals payable under leases expiring after five years (including rentals payable under leases on the four Maxam stores referred to in the paragraph below) was approximately $2,380,000. Leases covering about 62% of this amount expire on various dates between 1969 and 1983, and leases on the remainder expire prior to 1988.

On March 6, 1964 the company acquired all of the inventories, store fixtures and leases of four stores of Maxam's, Inc. In connection with this acquisition the company borrowed $667,000 at 3½% payable over a five-year period.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
JOHN HANCOCK BUILDING
BOSTON, MASS 02116

The Stockholders and
The Board of Directors

King's Department Stores, Inc.:

We have examined the consolidated balance sheet of King's Department Stores, Inc. and subsidiaries as of January 31, 1964 and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of King's Department Stores, Inc. and subsidiaries at January 31, 1964 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year. Also, in our opinion, the accompanying statement of source and application of funds presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

Boston, Mass.
March 31, 1964

SIX YEAR REVIEW

	Year Ended January 31,					
	1964	1963	1962	1961	1960	1959
Total Sales	$80,686,000	$62,031,000	$51,362,000	$41,854,000	$37,160,000	$26,419,000
Leased Department Sales	22,770,000	14,416,000	9,917,000	6,994,000	5,760,000	3,831,000
Net Sales	57,916,000	47,615,000	41,445,000	34,860,000	31,400,000	22,588,000
Leased Department and Other Income	2,287,000	1,504,000	1,047,000	747,000	615,000	382,000
Total Income	60,203,000	49,119,000	42,492,000	35,607,000	32,015,000	22,970,000
Cost of Goods Sold and Expenses	56,911,000	46,512,000	39,865,000	34,412,000	30,304,000	21,832,000
Income before Taxes	3,292,000	2,607,000	2,627,000	1,195,000	1,711,000	1,138,000
Provision for Taxes	1,571,000	1,306,000	1,293,000	519,000	835,000	549,000
Net Income	1,721,000	1,301,000	1,334,000	676,000	876,000	589,000
Earnings Per Share*	1.46	1.10	1.13	.57	.74	.50
Stock Dividend	5%	5%	2%	—	—	—
Number of Stores	31	25	18	13	12	11

*Based on 1,177,547 shares outstanding.

DIRECTORS

AARON O. COHEN
MURRAY A. CANDIB
WILLIAM F. KENNEY
AARON G. GOLDBERG
NATHAN GREENBERG
H. STANLEY KRUSEN
JACK HARTBLAY

OFFICERS

AARON O. COHEN, Chairman of the Board
MURRAY A. CANDIB, President
WILLIAM F. KENNEY, Vice President
AARON G. GOLDBERG, Vice President
NATHAN GREENBERG, Treasurer
BENJAMIN M. FIEGAR, Ass't. Treasurer
MORTON E. KAUFMAN, Controller

TRANSFER AGENTS

OLD COLONY TRUST COMPANY, Boston, Mass.
MARINE MIDLAND TRUST COMPANY, New York, N.Y.

REGISTRAR

FIRST NATIONAL BANK OF BOSTON, Boston, Mass.
CHEMICAL BANK NEW YORK TRUST COMPANY, New York, N.Y.

GENERAL COUNSEL

PARKER, CHAPIN AND FLATTAU, New York, N. Y.

AUDITOR

PEAT, MARWICK, MITCHELL & CO.

EXECUTIVE OFFICES

150 California Street, Newton 58, Massachusetts

KING'S Department Stores Inc.

Executive Offices:

150 California Street, Newton 58, Massachusetts